

**MOUNTAIN VIEW INDEPENDENT SCHOOL DISTRICT NO. 3**

KIOWA COUNTY, OKLAHOMA

JUNE 30, 2013

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**MOUNTAIN VIEW-GOTEBE INDEPENDENT SCHOOL DISTRICT NO. 1-3, KIOWA COUNTY**  
**SCHOOL DISTRICT OFFICIALS**  
**JUNE 30, 2013**

**BOARD OF EDUCATION**

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Vice President	Kenny Payne
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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Mountain View Independent School District #3  
Kiowa County, Oklahoma

Board Members:

### Report on Financial Statements

We have audited the accompanying combined fund type and account group financial statements of the **Mountain View Independent School District #3**, Kiowa County, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the district's regulatory financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Oklahoma State Department of Education. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1, the financial statements are prepared by **Mountain View-Gotebo Independent School District #3**, Kiowa County, Oklahoma, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of **Mountain View-Gotebo Independent School District #3**, Kiowa County, Oklahoma, as of June 30, 2013, or the changes in its financial position, for the year then ended.

### **Basis for Qualified Opinion on Regulatory Basis of Accounting**

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

### **Qualified Opinion on Regulatory Basis of Accounting**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of **Mountain View-Gotebo Independent School District, #3**, Kiowa County, Oklahoma as of June 30, 2013, and the revenues collected, expenditures paid/expenses, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

### **Other Matters**

#### **Other Information**

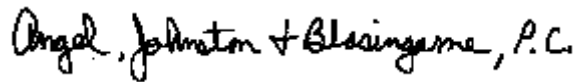
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Mountain View-Gotebo Independent School District #3, Kiowa County, Oklahoma’s** combined financial statements. The combining financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Oklahoma Department of Education* and/or the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the combined financial statements.

The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of

expenditures of federal awards are fairly stated in all material respects in relation to the combined financial statements as a whole on the regulatory basis of accounting described in Note 1.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, on our consideration of the **Mountain View-Gotebo Independent School District, #3, Kiowa County, Oklahoma's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering **Mountain View-Gotebo Independent School District, #3, Kiowa County, Oklahoma's** internal control over financial reporting and compliance.



Chickasha, Oklahoma  
November 25, 2013

COMBINED FINANCIAL STATEMENTS

**Mountain View-Gotebo School District No.1-003, Kiowa County, Oklahoma**  
**Combined Statement of Assets, Liabilities and Fund Balances**  
**Regulatory Basis - All Fund Types and Account Groups**  
**For the Year Ending June 30, 2013**

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
<b><u>ASSETS</u></b>	<b><u>General</u></b>	<b><u>Special Revenue</u></b>	<b><u>Debt Service</u></b>	<b><u>Capital Projects</u></b>	<b><u>Trust and Agency</u></b>	<b><u>General Long- Term Debt</u></b>	<b><u>June 30, 2013</u></b>
Cash and Cash Equivalents	\$ 639,114	\$ 122,542	\$ 0	\$ 0	\$ 67,107	\$ 0	\$ 828,763
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	0	0
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	0	0
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	215,389	215,389
<b><i>Total Assets</i></b>	<b><u>\$ 639,114</u></b>	<b><u>\$ 122,542</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 67,107</u></b>	<b><u>\$ 215,389</u></b>	<b><u>\$ 1,044,152</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>							
Liabilities:							
Warrants Payable	\$ 152,124	\$ 13,198	\$ 0	\$ 0	\$ 0	\$ 0	\$ 165,321
Reserve for Encumbrances	43,823	12,868	0	0	0	0	56,691
Due to Activity Groups	0	0	0	0	67,107	0	67,107
General Obligation Bonds Payable	0	0	0	0	0	0	0
Capitalized Lease Obligations Payable	0	0	0	0	0	215,389	215,389
<b><i>Total Liabilities</i></b>	<b><u>\$ 195,947</u></b>	<b><u>\$ 26,066</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 67,107</u></b>	<b><u>\$ 215,389</u></b>	<b><u>\$ 504,508</u></b>
Fund Balances:							
Restricted For:							
Building Programs	\$ 0	\$ 62,395	\$ 0	\$ 0	\$ 0	\$ 0	\$ 62,395
Child Nutrition Programs	0	34,082	0	0	0	0	34,082
Cooperative Programs	0	0	0	0	0	0	0
Unassigned	443,167	0	0	0	0	0	443,167
<b><i>Total Fund Balances</i></b>	<b><u>\$ 443,167</u></b>	<b><u>\$ 96,476</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 539,644</u></b>
<b><i>Total Liabilities and Fund Balances</i></b>	<b><u>\$ 639,114</u></b>	<b><u>\$ 122,542</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 67,107</u></b>	<b><u>\$ 215,389</u></b>	<b><u>\$ 1,044,152</u></b>

The notes to the financial statements are an integral part of this statement.

**Mountain View-Gotebo School District No.1-003, Kiowa County, Oklahoma**  
**Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances**  
**Regulatory Basis - All Governmental Fund Types**  
**For the Year Ending June 30, 2013**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2013
<b>Revenue Collected:</b>					
Local Sources	\$ 930,612	\$ 159,131	\$ 0	\$ 0	\$ 1,089,743
Intermediate Sources	49,731	0	0	0	49,731
State Sources	1,082,266	2,130	0	0	1,084,396
Federal Sources	316,521	106,879	0	0	423,401
Non-Revenue Receipts	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 2,379,130</u>	<u>\$ 268,140</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,647,270</u>
<b>Expenditures Paid:</b>					
Instruction	\$ 1,408,833	\$ 0	\$ 0	\$ 0	\$ 1,408,833
Support Services	950,091	230,337	0	0	1,180,427
Operation of Non-Instructional Services	95,066	126,395	0	0	221,461
Facilities Acquisition and Construction	1,663	0	0	0	1,663
Other Outlays	0	0	0	0	0
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	0	0	0
Interest and Fiscal Agent Fees	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 2,455,651</u>	<u>\$ 356,732</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,812,383</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (76,521)</u>	<u>\$ (88,592)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (165,113)</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 19,657</u>	<u>\$ 13,973</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 33,630</u>
<b>Other Financing Sources (Uses):</b>					
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Bond Proceeds	0	0	0	0	0
Transfers In	0	0	0	0	0
Transfers Out	(415)	0	0	0	(415)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (415)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (415)</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (57,280)</u>	<u>\$ (74,619)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (131,898)</u>
<i>Fund Balance - Beginning of Year</i>	<u>500,447</u>	<u>171,095</u>	<u>0</u>	<u>0</u>	<u>671,542</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 443,167</u></u>	<u><u>\$ 96,476</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 539,644</u></u>

The notes to the financial statements are an integral part of this statement.



**Mountain View-Gotebo School District No.1-003, Kiowa County, Oklahoma**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types**  
**For the Year Ending June 30, 2013**

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>									
Local Sources	\$ 841,897	\$ 844,097	\$ 930,612	\$ 141,263	\$ 141,263	\$ 159,131	\$ 0	\$ 0	\$ 0
Intermediate Sources	45,884	49,684	49,731	0	0	0	0	0	0
State Sources	964,938	1,081,938	1,082,266	1,751	1,751	2,130	0	0	0
Federal Sources	239,554	316,554	316,521	82,115	92,115	106,879	0	0	0
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 2,092,273</u>	<u>\$ 2,292,273</u>	<u>\$ 2,379,130</u>	<u>\$ 225,129</u>	<u>\$ 235,129</u>	<u>\$ 268,140</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Expenditures Paid:</b>									
Instruction	\$ 2,077,499	\$ 2,277,499	\$ 1,408,833	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	505,220	505,220	950,091	289,267	289,267	230,337	0	0	0
Operation of Non-Instructional Services	0	0	95,066	106,957	116,957	126,395	0	0	0
Facilities Acquisition and Construction	0	0	1,663	0	0	0	0	0	0
Other Outlays	10,000	10,000	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 2,592,719</u>	<u>\$ 2,792,719</u>	<u>\$ 2,455,651</u>	<u>\$ 396,224</u>	<u>\$ 406,224</u>	<u>\$ 356,732</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess of Revenues Collected Over (Under)</i> <i>Expenditures Paid Before Adjustments to</i> <i>Prior Year Encumbrances</i>	<u>\$ (500,447)</u>	<u>\$ (500,447)</u>	<u>\$ (76,521)</u>	<u>\$ (171,095)</u>	<u>\$ (171,095)</u>	<u>\$ (88,592)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19,657</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,973</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Other Financing Sources (Uses):</b>									
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0	0	0	0	0	0
Transfers Out	0	0	(415)	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (415)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected</i> <i>Over Expenditures Paid and Other Financing</i> <i>Sources (Uses)</i>	<u>\$ (500,447)</u>	<u>\$ (500,447)</u>	<u>\$ (57,280)</u>	<u>\$ (171,095)</u>	<u>\$ (171,095)</u>	<u>\$ (74,619)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Fund Balance - Beginning of Year</i>	<u>500,447</u>	<u>500,447</u>	<u>500,447</u>	<u>171,095</u>	<u>171,095</u>	<u>171,095</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance - End of Year</i>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 443,167</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 96,476</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

**Mountain View-Gotebo ISD No. 3, Kiowa County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies**

The basic financial statements of the Mountain View-Gotebo Public Schools Independent District No. 3, Kiowa County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

**1.A. Reporting Entity**

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and /or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity. The District has various supporting groups. However, the District does not appoint any of the board members or exercise any oversight authority over these groups and the dollar amounts are not material to the District.

**1.B. Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

**Mountain View-Gotebo ISD No. 3, Kiowa County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.B. Fund Accounting, Governmental Fund Types, (continued)**

**Governmental Fund Types**

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

**1. General Fund** - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenues sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program.

Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

**2. Special Revenue Funds** - The Special Revenue Funds of the District consist of the Building Fund and Child Nutrition Fund.

Building Fund - The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries to operate the lunchroom. The district also deposits reimbursements received from the National School Lunch and Breakfast programs into this fund.

**3. Debt Service Fund** - The debt service fund is the District's Sinking Fund and is used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments. Currently the District does not have any general long-term debt.

**Fiduciary Fund Types**

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, trust funds are used for their accounting and reporting. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

**Mountain View-Gotebo ISD No. 3, Kiowa County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.B. Fund Accounting, (continued)**

**1. Agency Funds** - The Agency Fund is the School Activities fund, which is used to account for monies, collected principally through fundraising efforts of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds.

**Account Groups**

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in proprietary funds.

1. General long-term Debt Account Group - This account group is used to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for liabilities for compensated absences and early retirement incentives, which are to be paid from funds provided in future years.

2. General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the District. The District does not have the information necessary to include this group in its combined financial statements.

**Memorandum Only - Total Column**

The total column on the general purpose financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**1.C. Basis of Accounting and Presentation**

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education (OSDE) as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.

**Mountain View-Gotebo ISD No. 3, Kiowa County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.C. Basis of Accounting and Presentation, (continued)**

- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

**1.D. Budgets and Budgetary Accounting**

The District is required by state law to prepare an annual budget. The board of education requests an initial temporary appropriations budget from the county excise board before June 30. Then no later than October 1, the board of education prepares financial statement and estimate of needs and files it with the applicable county clerk and the State Department of Education. The final budget may be revised upon approval of the board of education and the county excise board.

Under current Oklahoma Statutes, a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

**1.E. Assets, Liabilities and Fund Equity**

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments - Investments consist of direct obligations of the United States government and agencies with maturities greater than three months when purchased. All investments are records at cost, which approximated market value.

Property Tax Revenues – The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

**Mountain View-Gotebo ISD No. 3, Kiowa County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.E. Assets, Liabilities and Fund Equity, (continued)**

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Inventories – The value of consumable inventories at June 30, 2013, is not material to the basic financial statements.

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group has not been presented.

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have been reported in the general long-term debt account group.

Long-Term Debt – Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Fund Balance – Fund balance represents the cash and investments not encumbered by purchase order, legal contracts, and outstanding warrants.

Fund Balance - In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund ) and those that are spendable (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

**Mountain View-Gotebo ISD No. 3, Kiowa County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.E. Assets, Liabilities and Fund Equity, (continued)**

**Restricted** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

**Committed** fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

**Assigned** fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

**Unassigned** fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

**1.F. Revenue, Expenses, and Expenditures**

State Sources - Revenues from state sources for current operations are primarily governed by the state aid formula under provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of the state aid funds to school districts based on information accumulated from the districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

The District receives revenue from the state to administer certain categorical education programs. The State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. These rules also require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

**Mountain View-Gotebo ISD No. 3, Kiowa County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.F. Revenue, Expenses, and Expenditures, (continued)**

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers in/transfers out may not agree because activity fund transactions are not included.

**Note 2 – Deposit and Investment Risk**

The District held the following deposits and investments at June 30, 2013:

			Carrying Value
Deposits			
Demand Deposits		\$	841,637
Time Deposits			0
Total Deposits		\$	<u>841,637</u>
Investments			
	<u>Credit Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
			\$ 0
Total Investments			<u>\$ 0</u>
Reconciliation to the Combined Statement of Assets, Liabilities and Equity			
Cash and Cash Equivalents		\$	828,763
Activity Fund Outstanding Checks			12,874
Total Deposits and Investments		\$	<u>841,637</u>

**Custodial Credit Risk** – Exposure to custodial credit related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

The District's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2013, the District was not exposed to custodial credit risk as defined above.

**Investment Credit Risk** – The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:



**Mountain View-Gotebo ISD No. 3, Kiowa County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 2 – Deposit and Investment Risk, (continued)**

1. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies..
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States Government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school district debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the investments consist of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school district.
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investment by reporting the credit quality ratings of investment in debt securities as determined by nationally recognized statistical rating organizations-rating agencies-as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The district had no investment credit risk as of June 30, 2013, as defined above.

**Investment Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. The District had no investment interest rate risk as defined above.

**Concentration of Investment Credit Risk** – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District places no limit on the amount it may invest in any one issuer.

At June 30, 2013, the District had no concentration of credit risk as defined above.

**Mountain View-Gotebo ISD No. 3, Kiowa County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 3 – General Long Term Debt**

General long-term debt of the District consists of capital leases. The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2013.

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2012	0	225,000	0	225,000
Additions	0	0	0	0
Retirements	0	9,611	0	9,611
Balance, June 30, 2013	0	215,389	0	215,389

The District has entered into a lease agreement as lessee for financing the building renovations. This lease agreement qualifies as a capital lease for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause which gives the District the ability to terminate the lease agreement at the end of each fiscal year.

As noted in Note 1 to the financial statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the above assets as assets in the General Fixed Assets Account Group. The District has recorded the liability for future lease payments in the general long-term debt account group for the above leases. The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending June 30	School Renovations	Total
2014	\$ 32,035	\$ 32,035
2015	32,035	32,035
2016	32,035	32,035
2017	32,035	32,035
2018	32,035	32,035
2019	32,034	32,034
2020	32,035	32,035
2021	32,035	32,035
2022	32,035	32,035
Total	288,314	\$ 288,314
Less: Amount Representing Interest	(72,925)	(72,925)
Present Value of Future Minimum Lease Payments	\$ 215,389	\$ 215,389

**Note 4 - Employee Retirement System**

**Plan Description** - The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System") which is a cost-sharing multiple-employer defined benefit Public Employee Retirement System (PERS). The administration, benefits, and funding of the System are governed by Article XVII, Section 70 of the Oklahoma Statutes. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. PERS provides retirement, disability and death benefits to plan members and beneficiaries. The district has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

**Mountain View-Gotebo ISD No. 3, Kiowa County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 4 - Employee Retirement System, (continued)**

The System issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained in writing at the Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Ok 73152 or by calling (405) 521-2387.

**Funding Policy** - Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public education institutions who work at least 20 hours per week.

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2013. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending June 30, 2013, 2012, and 2011 were \$112,540, \$107,229, and \$130,271 respectively.

The compensation for employees covered by the System for the year ended June 30, 2013 was \$1,173,540; the District's total compensation was \$1,498,960. In addition to the District's 9.50% contributions, the District was required to pay into the System 8.00% of compensation arising from federal grants (\$8,007). There were \$65,270 contributions made by employees during the year ended June 30, 2013.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The nonfunded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2012, is as follows:

Total pension obligation	\$ 18,588,042,438
Net assets available for benefits, at cost	<u>10,190,480,780</u>
Nonfunded pension benefit obligation	<u>\$ 8,397,561,658</u>

The System's accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2012. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they come due.

**Note 5 - Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

**Mountain View-Gotebo ISD No. 3, Kiowa County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 6 – Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. The District had the following insurance coverage during the year: Commercial property - \$350,000,000; general liability - \$1,000,000; and educators liability \$1,000,000. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The School also participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the school reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the schools losses for the last five year. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years it is returned to them with no interest.

The District is also a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to contribute 1.6% of their taxable payroll for unemployment insurance. The funds for each district are kept separate and districts can contribute more than 1.6% of their payroll if they elect to. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in their account they would be liable for the excess.

**Note 7 - Use of Estimates**

The preparation of financial statements in conformity with the cash basis and budget laws of the Oklahoma State Department of Education requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Mountain View-Gotebo ISD No. 3, Kiowa County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 8 – Surety Bonds**

The Superintendent is bonded by Farmers Alliance, bond number BD085648 for the penal sum of \$100,000 for the term of July 15, 2012 to July 14, 2013.

The treasurer is bonded by Western Surety Company, bond number 68503754 for the penal sum of \$50,000 for the term of July 1, 2012 to July 1, 2013.

The encumbrance clerk/minutes clerk is bonded by Western Surety Company, bond number 61089845 for the penal sum of \$50,000 for the term June 20, 2012 to June 20, 2013.

The activity fund custodian is bonded by Western Surety Company, bond #61220599 for the penal sum of \$50,000 for the term December 9, 2011 to indefinite.

The activity fund depositor is bonded by Western Surety Company, bond #71346307 for the penal sum of \$50,000 for the term November 9, 2012 to November 9, 2013.

**Note 9 – Budget Amendments**

The general fund budget was amended once during the year by filing a supplemental appropriations form with the county clerk's office. The supplemental appropriation was filed May 7, 2013, for \$200,000. This increased the original general fund budget from \$2,592,719 to \$2,792,719.

The child nutrition fund budget was amended once during the year by filing a supplemental appropriations form with the county clerk's office. The supplemental appropriation was filed May 14, 2013 for \$10,000. This increased the original child nutrition fund budget from \$106,957 to \$116,957.

OTHER SUPPLEMENTAL INFORMATION

**Mountain View-Gotebo School District No. I-003, Kiowa County, Oklahoma**  
**Combining Statement of Assets, Liabilities and Fund Balances**  
**Regulatory Basis - All Special Revenue Funds**  
**For the Year Ending June 30, 2013**

	<b>Building Fund</b>	<b>Child Nutrition Fund</b>	<b>Coop Fund</b>	<b>Total June 30, 2013</b>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 85,340	\$ 37,201	\$ 0	\$ 122,542
Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u><u>\$ 85,340</u></u>	<u><u>\$ 37,201</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 122,542</u></u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Warrants Payable	\$ 10,078	\$ 3,120	\$ 0	\$ 13,198
Reserve for Encumbrances	<u>12,868</u>	<u>0</u>	<u>0</u>	<u>12,868</u>
<i>Total Liabilities</i>	<u><u>\$ 22,946</u></u>	<u><u>\$ 3,120</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 26,066</u></u>
Fund Balances:				
Restricted	<u>\$ 62,395</u>	<u>\$ 34,082</u>	<u>\$ 0</u>	<u>\$ 96,476</u>
<i>Total Fund Balances</i>	<u><u>\$ 62,395</u></u>	<u><u>\$ 34,082</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 96,476</u></u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$ 85,340</u></u>	<u><u>\$ 37,201</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 122,542</u></u>

**Mountain View-Gotebo School District No.I-003, Kiowa County, Oklahoma**  
**Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances**  
**Regulatory Basis - Special Revenue Funds**  
**For the Year Ending June 30, 2013**

	<b>Building Fund</b>	<b>Child Nutrition Fund</b>	<b>Total June 30, 2013</b>
<b>Revenue Collected:</b>			
Local Sources	\$ 132,324	\$ 26,808	\$ 159,131
Intermediate Sources	0	0	0
State Sources	20	2,109	2,130
Federal Sources	0	106,879	106,879
Non-Revenue Receipts	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 132,344</u>	<u>\$ 135,796</u>	<u>\$ 268,140</u>
<b>Expenditures Paid:</b>			
Instruction	\$ 0	\$ 0	\$ 0
Support Services	230,337	0	230,337
Operation of Non-Instructional Services	13,047	113,348	126,395
Facilities Acquisition and Construction	0	0	0
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid and Bank Charges	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 243,384</u>	<u>\$ 113,348</u>	<u>\$ 356,732</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (111,040)</u>	<u>\$ 22,449</u>	<u>\$ (88,592)</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 4,527</u>	<u>\$ 9,446</u>	<u>\$ 13,973</u>
<b>Other Financing Sources (Uses):</b>			
Estopped Warrants	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0
Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (106,513)</u>	<u>\$ 31,894</u>	<u>\$ (74,619)</u>
<i>Fund Balance - Beginning of Year</i>	<u>168,908</u>	<u>2,187</u>	<u>171,095</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 62,395</u></u>	<u><u>\$ 34,082</u></u>	<u><u>\$ 96,476</u></u>



Mountain View-Gotebo School District No.I-003, Kiowa County, Oklahoma  
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances  
Special Revenue Funds - Budget and Actual  
For the Year Ending June 30, 2013

	Building Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>									
Local Sources	\$ 120,359	\$ 120,359	\$ 132,324	\$ 20,903	\$ 20,903	\$ 26,808	\$ 141,263	\$ 141,263	\$ 159,131
Intermediate Sources	0	0	0	0	0	0	0	0	0
State Sources	0	0	20	1,751	1,751	2,109	1,751	1,751	2,130
Federal Sources	0	0	0	82,115	92,115	106,879	82,115	92,115	106,879
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 120,359</u>	<u>\$ 120,359</u>	<u>\$ 132,344</u>	<u>\$ 104,770</u>	<u>\$ 114,770</u>	<u>\$ 135,796</u>	<u>\$ 225,129</u>	<u>\$ 235,129</u>	<u>\$ 268,140</u>
<b>Expenditures Paid:</b>									
Instruction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	289,267	289,267	230,337	0	0	0	289,267	289,267	230,337
Operation of Non-Instructional Services	0	0	13,047	106,957	116,957	113,348	106,957	116,957	126,395
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 289,267</u>	<u>\$ 289,267</u>	<u>\$ 243,384</u>	<u>\$ 106,957</u>	<u>\$ 116,957</u>	<u>\$ 113,348</u>	<u>\$ 396,224</u>	<u>\$ 406,224</u>	<u>\$ 356,732</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (168,908)</u>	<u>\$ (168,908)</u>	<u>\$ (111,040)</u>	<u>\$ (2,187)</u>	<u>\$ (2,187)</u>	<u>\$ 22,449</u>	<u>\$ (171,095)</u>	<u>\$ (171,095)</u>	<u>\$ (88,592)</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,527</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,446</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,973</u>
<b>Other Financing Sources (Uses):</b>									
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (168,908)</u>	<u>\$ (168,908)</u>	<u>\$ (106,513)</u>	<u>\$ (2,187)</u>	<u>\$ (2,187)</u>	<u>\$ 31,894</u>	<u>\$ (171,095)</u>	<u>\$ (171,095)</u>	<u>\$ (74,619)</u>
<i>Fund Balance - Beginning of Year</i>	<u>168,908</u>	<u>168,908</u>	<u>168,908</u>	<u>2,187</u>	<u>2,187</u>	<u>2,187</u>	<u>171,095</u>	<u>171,095</u>	<u>171,095</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 62,395</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 34,082</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 96,476</u>

**Mountain View-Gotebo School District No.1-003, Kiowa County, Oklahoma**  
**Combining Assets, Liabilities and Fund Equity**  
**Activity Fund - Regulatory Basis**  
**For the Year Ending June 30, 2013**

<b><u>ASSETS</u></b>	<b>School Activity Fund</b>
Cash	\$ 67,107
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 67,107</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>	
Liabilities:	
Due To Activity Groups	\$ <u>67,107</u>
<i>Total Liabilities</i>	<u>\$ 67,107</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 67,107</u>

**Mountain View-Gotebo School District No.I-003, Kiowa County, Oklahoma**  
**Combining Statement of Changes in Assets and Liabilities**  
**Regulatory Basis - Activity Fund**  
**For the Year Ending June 30, 2013**

<b>ACTIVITIES</b>	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>
Athletics	\$ 1,227	\$ 21,922	\$ 22,516	\$ 633
Concessions	117	13,838	13,839	116
Petty Cash	0	434	434	0
Clearing Account	0	0	0	0
Jr.-Sr. Library	38	0	0	38
FFA Fees & Dues	1,726	25,804	27,187	343
FCCLA	126	0	0	126
Technology Ed. Projects	999	0	0	999
Technology Ed. Club	129	0	0	129
Miscellaneous	1,780	7,091	6,855	2,016
Music	2,333	0	788	1,544
Football/Weight Lifting	99	0	0	99
Class of 2015	0	4,916	844	4,072
Jr/Sr. High Cheerleaders	1,509	8,650	8,392	1,767
Student Council	375	1,369	1,140	603
Class of 2012	0	68	68	0
Art Fees	1,057	0	35	1,022
Class of 2013	8,346	35,485	43,725	106
Yearbook	9,931	3,963	5,974	7,921
Vending Machine	2,967	1,195	3,549	612
Class of 2014	0	34,391	29,083	5,307
Elementary PK-6 Activities	5,149	23,370	24,197	4,322
Fellowship of Christian Athletics	51	0	0	51
4-H	11	0	0	11
Athletic Shirt Sales	1,876	0	0	1,876
HS Boys Basketball	30	0	0	30
Swimming Pool	1,755	1,852	737	2,870
Swimming Pool Concessions	2,034	1,313	999	2,348
BPA	12,487	8,735	11,065	10,157
Hs Girls Basketball	294	503	552	245
HS Boys Baseball	101	1,544	1,297	348
Student Clearing Acct	42	5,383	5,383	42
After Prom Party Account	155	1,290	1,418	27
MVG Academic Team	996	648	746	898
Softball	493	272	370	395
Gearup Parent Leadership Grant	1,076	0	0	1,076
Baseball Concession Account	0	1,417	1,417	0
Educational Foundation Account	14,834	120	0	14,954
<b>Total Activities</b>	<b>\$ 74,144</b>	<b>\$ 205,572</b>	<b>\$ 212,609</b>	<b>\$ 67,107</b>

**MOUNTAIN VIEW-GOTEBBO INDEPENDENT SCHOOL DISTRICT NO. 3, KIOWA COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass Through Grantor/Program Title		Federal CFDA#	Grantor's Number	Deferred Revenue (Accounts Receivable) July 1, 2012	Receipts	Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2013	Indirect Costs Included in Federal Expenditures
<b>U.S. Department of Education</b>								
Direct Programs:								
Title VII, Part A, Indian Education	(Note 7)	84.060	561	0	13,542	13,542	(0)	0
Title VI, Subpart 1, Smal Rural School	(Note 5)	84.358	588	0	13,490	0	13,490	0
Title VIII, Impact Aid	(Note 4)	84.041	591	37,296	29,162	37,296	29,162	0
Title VIII, Impact Aid Special Ed.	(Note 4)	84.041	592	2,632	3,478	2,632	3,478	0
Passed Through State Department of Education:								
Title I, Basic		84.010	511	0	69,642	69,642	0	1,331
<b>Title 1 Cluster</b>				0	69,642	69,642	0	1,331
IDEA-B Flowthrough		84.027	621	0	50,758	50,758	0	0
IDEA-B Preschool		84.173	641	0	0	0	0	0
<b>Special Education Cluster</b>				0	50,758	50,758	0	0
Title II, Part A, Teacher & Prin Training		84.367	586	0	0	18,717	(18,717)	391
Gear Up	(Note 3)	84.334A	771	17,862	0	17,979	0	0
Reach Coach		84.140	792/795	0	133,852	133,852	0	0
<b>Total U.S. Department of Education</b>				<b>57,790</b>	<b>313,924</b>	<b>344,418</b>	<b>27,413</b>	<b>1,722</b>
<b>U.S. Department of Agriculture</b>								
Passed Through State Department of Education:								
<b>Child Nutrition Cluster:</b>								
Breakfast Program		10.553	764	0	36,803	36,803	0	0
Lunch Program		10.555	763	0	67,752	67,752	0	0
Commodities Distributed -Lunch	(Note 2)	10.555	N/A	0	5,376	5,376	0	0
Summer Food Program	(Note 6)	10.559	766	(2,498)	2,323	1,319	0	0
<b>Child Nutrition Cluster</b>				<b>(2,498)</b>	<b>112,254</b>	<b>111,250</b>	<b>0</b>	<b>0</b>
<b>Total U.S. Department of Agriculture</b>				<b>(2,498)</b>	<b>112,254</b>	<b>111,250</b>	<b>0</b>	<b>0</b>
<b>Other Federal Assistance</b>								
Johnson O'Malley		15.130	563	4,490	2,597	5,083	2,004	0
<b>Total Other Federal Assistance:</b>				<b>4,490</b>	<b>2,597</b>	<b>5,083</b>	<b>2,004</b>	<b>0</b>
<b>TOTAL FEDERAL ASSISTANCE</b>				<b>59,782</b>	<b>428,775</b>	<b>460,751</b>	<b>29,417</b>	<b>\$ 1,722</b>

Note 1 - The Schedule of Federal Awards expended was prepared using the same accounting policies used in preparing the district's financial statements. The district's policy is to recognize expenditures when encumbered (contracted for) rather than at the time the related fund liability is incurred.

Note 2 - Commodities received in the amount of \$5,376 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - The District coded \$117 more in expenditures than what they will be reimbursed. Therefore, no receivable shown.

Note 4 - School coded enough expenditures to cover prior year Impact Aid received, but did not code enough to cover current year amount r

Note 5 - School drew down project 588 funds but did not code any expenditures to this project.

Note 6 -The school coded expenditures in excess of what is to be reimbursed. Therefore, no receivable of \$1,494 will be shown.

Note 7 - Appears there should not have been a receivable of \$11,518 for this project. They spent funds in FY11-12 of \$11,518, but it was for revenues that had also been received in FY11-12.



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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Board of Education  
Mountain View-Gotebo Independent School District #3  
Kiowa County, Oklahoma

Board Members:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the fund type and account group financial statements, regulatory basis, of **Mountain View-Gotebo Independent School District #3**, Kiowa County, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's combined financial statements and have issued our report thereon dated November 25, 2013. The report on these financial statements was adverse because the District has elected to prepare its financial statements on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. Our opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to the omission of the general fixed asset account group.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **Mountain View-Gotebo Independent School District #3**, Kiowa County, Oklahoma's (The District's), internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The District's internal control. Accordingly, we do not express an opinion on the effectiveness of The District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below, that we consider to be significant deficiencies.

#### **2013-1 Finding**

**Statement of Condition** – Teacher retirement contributions were not withheld and paid for an employee for the entire 2012-13 year. This was not discovered until after the employee had left the district's employment.

**Criteria** – Teacher retirement contributions of 9.5% employer share and 7% employee share are required to be paid on salaries for all certified employees.

**Cause/Effect of Condition** – The proper code was not input into the computer to trigger teacher retirement to be withheld and paid on this employee. The school paid both employee and employer shares when they caught the underpayment and are trying to get the former employee to reimburse the school for the employee 7% portion. The school may be required to pay the employee's 7% share, if she does not reimburse them.

**Recommendation** – Care should be taken to ensure that the proper codes are input into the computer software to trigger teacher retirement to be withheld and paid.

#### **2013-2 Finding**

**Statement of Condition** – A \$500 Christmas stipend was paid to all employees; however, we did not find any board approval for this stipend.

**Criteria** – Stipends should be approved by the board of education.

**Cause/Effect of Condition** - The payroll clerk reported that the board was aware of the stipend, but the superintendent wanted it to be a surprise to the employees, therefore, they did not want it listed in the board minutes. If there is no documentation in the board minutes, unauthorized payments could be made and/or amounts in excess of the amount agreed upon could be issued without being discovered.

**Recommendation** – Stipends should be approved by the board of education and documented in the board minutes.

#### **2013-3 Finding**

**Statement of Condition** – A full time employee was paid extra for janitorial work, but there was no contract stating an hourly rate to be paid. Also, it appears the employee was a non exempt employee under the *Fair Labor Standards Act* and should have been paid time and one half for hours worked in excess of 40 during the week.

**Criteria** – The Fair Labor Standards Act requires all employees be paid at a rate of 1 ½ times their regular rate of pay for hours worked in excess of 40 in a work week. Also, a contract should be signed establishing a rate of pay for the duty performed.

**Cause/Effect of Condition** - The Superintendent and employee had a verbal agreement that the employee would clean and would be paid a specific rate of pay. The employee worked hours in excess of 40 in a work week and was not paid 1 ½ times regular rate of pay for these excess hours.

**Recommendation** - Extra duty assignments should be approved by the board of education and the amount or hourly rate should be approved by the board of education. Hours worked in excess of 40 in a work week should be paid at 1 ½ times the regular rate of pay for non exempt employees.

**2013-4 Finding**

**Statement of Condition** – The school drew down \$13,490 of Title VI, Subpart 1, Small Rural School (project 588) funds, but they have not expended any funds for this program.

**Criteria** – When federal funds are drawn down, the school has three (3) days in order to expend these funds.

**Cause/Effect of Condition** – School employees were not aware of the three (3) day requirement. Federal funds have been received that have not been expended on the federal program.

**Recommendation** – The school should code expenditures of at least \$13,490 to federal project 588 for FY 2013-2014 in order to support the funds which have already been drawn down.

**2013-5 Finding**

**Statement of Condition** – We noted a bill to Pioneer Telephone Company was paid out of 2013-14 appropriations but were for items ordered before June 30, 2013. Since items were obligated before June 30, they should have been paid with 2012-13 appropriations.

**Criteria** – Bills should be paid out of the fiscal year funds from which the expenditure was obligated.

**Cause/Effect of Condition** – Reserves were not established from the 2012-13 year. This caused an understatement of 2012-13 expenditures and an overstatement of 2013-14 expenditures.

**Recommendation** – Expenditures should be reserved and paid out of the fiscal year appropriations in which they were obligated.

**2013-6 Finding**

**Statement of Condition** – During our testing of purchases, it was noted 15 of 35 purchase requisitions were not endorsed by the purchasing officer authorizing the purchase of goods/services.

**Criteria** – The school uses purchase requisitions to initiate the purchasing process and the Superintendent is the approving authority for purchases.

**Cause/Effect of Condition** – Employees are not using purchase requisitions appropriately and are relying on a verbal approval process which is not documented and non verifiable. Signature of approving authority automatically prints on the purchase order. There is a possibility of purchases being made without proper authorization.

**Recommendation** – School should complete purchase requisitions and not produce a purchase order without proper authorization.

**2013-7 Finding**

**Statement of Condition** – A purchase order was approved for \$2,500. The invoice for the purchase was \$3,316.50. The invoice was paid without the Superintendent approving the increase which exceeded 10% and \$500.

**Criteria** – The Schools District Policy for adjusting purchase order amounts is as follows: When a purchase order has been approved, the price may be adjusted up by 10% but not greater than \$500.

**Cause/Effect of Condition** – The encumbrance clerk was not aware of the policy. Payments are being made in excess of amounts approved.

**Recommendation** – Employees should become familiar with school purchasing policies. Should the purchase exceed the policy limits of 10% but not greater than \$500, the purchase should go back before the board for approval.

#### **2013-8 Finding**

**Statement of Condition** - During Activity Fund fundraiser testing, we noted that deposits for the collections from the class of 2013 fireworks stand were not made timely. Money is collected daily from the time the stand opens in June through July 4. One large deposit was made July 12, 2012 for all sales. A log for daily sales was not provided.

**Criteria** – State law requires activity fund collections be deposited daily if over \$100, but not less than one time per week.

**Cause/Effect of Condition** – Sponsors in charge of this fundraiser did not follow depositing procedures. Collections totaling \$6,065.65 were held for 6 or more business days prior to deposit (depending on daily sales). This increases the risk of loss or theft of money.

**Recommendation** – We recommend daily fireworks sales be documented and monies turned into a school official and deposited daily if greater than \$100.

#### **2013-9 Finding**

**Statement of Condition** – During activity fund expenditure testing, we noted that the BPA sub account purchased a vending machine for the school. This was not an approved expenditure listed and approved for the nature of this account and it was not presented to the board for specific approval. The machine cost \$4,598.

**Criteria** – Each sub account has a general description of its anticipated revenues and expenses and the purpose of the account. Any purchases requested that are not originally approved in the nature of the account should be submitted to the board for approval.

**Cause/Effect of Condition** – The sponsor and/or activity fund approving authority, did not seek board approval for the purchase. This purchase was not approved by the board of education.

**Recommendation** – We recommend any purchases that are not considered normal in nature or an approved general expense of the sub account be submitted to the board for approval prior to being purchased.

#### **2013-10 Finding**

**Statement of Condition** – During FFA sausage sale testing, we noted that a few students were not turning in money for their sales. We also noted this last year and they appear to be the same students. The amount uncollected for 2013 is \$1,194.

**Criteria** – Sponsors should reconcile student accounts each year and make an effort to collect from students and/or prevent future abuse of fundraising. Students who owe from a prior year should not be allowed to participate until all prior year accounts are paid.

**Cause/Effect of Condition** – Lack of enforcement/restriction on student fundraiser collections results in lower than anticipated profit percentages on fundraisers and increases the risk that students will never repay monies that are owed.

**Recommendation** – We recommend that the sponsor not allow students to participate in further activities until all amounts due for products are received.



**2013-11 Finding**

**Statement of Condition** – During activity fund fundraiser testing, we noted that receipts were not issued to students and/or purchasers (whoever the sponsor received the money from for collections for the rib-sales).. A sales log could not be provided for review either.

**Criteria** – Activity revenue collection procedures require that individual prenumbered receipts to be issued to each student each time they turn money into the sponsor.

**Cause/Effect of Condition** – Lack of implementation of receipting procedures increases risk that collections could be lost/mishandled and not deposited timely. Also, there is no documentation to verify accurate and timely receipts.

**Recommendation** – We recommend each sponsor be issued a receipt book and provide a receipt for each individual that turns in money.

**Compliance and Other Matters**

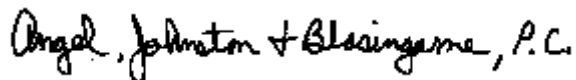
As part of obtaining reasonable assurance about whether The District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Mountain View-Gotebo Independent School District #3, Oklahoma's, Response to Findings**

Mountain View-Gotebo Independent School District #3, Oklahoma's responses to the findings identified in our audit are described in the attached corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chickasha, Oklahoma  
November 25, 2013

## OTHER INFORMATION

Mountain View-Gotebo ISD No. 3, Kiowa County  
Schedule of Accountant's Professional Liability Insurance Affidavit  
For Year Ending June 30, 2013

STATE OF OKLAHOMA     )  
  )ss  
COUNTY OF GRADY        )

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Mountain View- Gotebo *Schools* for the audit year 2012-13.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



By: \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2013

\_\_\_\_\_  
Notary Public

My Commission Expires 11-12-2016

Mountain View-Gotebo ISD No. 3, Kiowa County  
Summary Schedule of Prior Year Audit Findings  
Year Ended June 30, 2013

**2012-1 Finding**

**Statement of Condition** - The district received monies from Impact aid (project codes 591 and 592) and Gear-Up (Project code 771) during the year but did not code any expenditures to these projects. In addition, the district had not coded enough expenditures to these projects in the past. Below are the unexpended balances:

	Project	Unexpended Balance 7-1-11	Receipts 2011-2012	Expenditures Coded to Project 2011-2012	Unexpended Balance 6-30-12
Impact Aid	591	\$ 25,645	\$ 11,651	\$ 0	\$ 37,296
Impact Aid Special Ed.	592	940	1,692	0	2,632
Gear Up	771	15,862	2,000	0	17,862

**Criteria** – Federal regulations require districts track how their federal grant monies are expended.

**Cause/Effect of Condition** - The district had new personnel that were not aware that they had to track how these federal monies were expended.

**Recommendation** –We recommend the district code expenditures in 2012-13 to account for the unexpended balance of these grants as well as for additional revenues received during the 2012-13 year.

**Current Status** – There was still funds that had not been expended for Impact Aid, but it appears they are trying to get caught up.

**2012-2 Finding**

**Statement of Condition** – We noted the district paid two large bills out of the 2012-13 building fund appropriations that were for items ordered before June 30, 2012. Since these items were obligated before June 30, they should have been paid from 2011-12 appropriations. In addition, the district paid a bill out of 2011-12 general fund for items ordered and shipped in the 2010-11 fiscal year.

**Criteria** – Bills should be paid from the fiscal year in which they are obligated.

**Cause/Effect of Condition** – The person in charge of paying and reserving expenditures was new and was not familiar with this procedure.

**Recommendation** – We recommend that bills be encumbered/paid out the fiscal year in which they are obligated.

**Current Status** – We continued to note problems in this area during the 2012-13 audit.

**2012-3 Finding**

**Statement of Condition** – During activity fund expenditure testing, we noted 11 of 16 invoices were not signed to indicate receipt of goods or services.

**Criteria** – Invoices should have the signature of the person receiving the goods or services acknowledging they were received in good condition and thus, the bill can be paid.

**Cause/Effect of Condition** – School purchasing procedures were not followed. This could allow the district to pay a bill for which the goods/services were not received.

**Recommend** – We recommend the person receiving the goods/services sign the invoice or packing slip to indicate satisfactory receipt of goods/services prior to payment being made.

**Current Status** – This was not noted during the 2012-13 audit.

**2012-4 – Finding**

**Statement of Condition** - The board approved a Senior Class bank account to make purchases for a senior trip by using a debit card on the account. The school transferred \$8,000 to the separate bank account and coded the entire transaction to an expense function code of 2720 instead of coding the actual detailed expenditures as they were expended. The sponsor did turn in invoices/documentation to document the transactions.

**Criteria** – All activity fund bank accounts and revenue/expenditures of those accounts should be recorded on the financial statements and included in the OCAS data. Proper accounting procedures (approval of a purchase requisition before the purchase is made, etc.) should be followed for all activity fund transactions.

**Cause/Effect of Condition** – The school is trying to find the best way to pay for these senior trip expenses because most hotels, venues, etc. will not accept a purchase order.

**Recommendation** – We recommend that a transfer to another bank account be recorded as a transfer and all expenditures of the new account be reported individually in the accounting records. Further, the district needs to follow purchasing procedures for all purchases.

**Current Status** – This was not noted during the 2012-13 year.

## SCHOOL'S CORRECTIVE ACTION PLAN

**Mountain View-Gotebo PUBLIC SCHOOL DISTRICT  
Kiowa COUNTY  
AUDIT FINDINGS  
CORRECTIVE ACTION PLAN  
AUDIT YEAR 2012-2013**

**AUDIT FINDING REFERENCE NUMBER:** 2013-1

**DESCRIPTION OF FINDING:** Teacher retirement contributions were not withheld and paid for an employee for the entire 2012-13 year. This was not discovered until after the employee had left the district's employment.

**CONTACT PERSON:** Stormy Fischer

**STEPS IMPLEMENTED:** The District will impose a system of checks and balances to ensure that the proper codes are input into the computer software to trigger teacher retirement to be withheld and paid.

**COMPLETION DATE:** Immediately

**AUDIT FINDING REFERENCE NUMBER:** 2013-2

**DESCRIPTION OF FINDING:** A \$500 Christmas stipend was paid to all employees; however, school board approval was not found for this stipend.

**CONTACT PERSON:** Sam Belcher

**STEPS IMPLEMENTED:** The District will take action to always have stipends approved by the board of education and documented in the board minutes.

**COMPLETION DATE:** Immediately

**AUDIT FINDING REFERENCE NUMBER:** 2013-3

**DESCRIPTION OF FINDING:** A full time employee was paid extra for janitorial work, but there was no contract stating an hourly rate to be paid. Also, it appears the employee was a non-exempt employee under the Fair Labor Standards Act and should have been paid time and one half for hours worked in excess of 40 during the week.

**CONTACT PERSON:** Sam Belcher

**STEPS IMPLEMENTED:** The District will ensure that all employees are working under contract and all contracts will be approved by the board of education and the amount or hourly rate will also be approved by the board of education. Furthermore, employees hours worked in excess of 40 in a work week will be paid at 1 ½ times the regular rate of pay for non-exempt employees.

**COMPLETION DATE:** Immediately

  
Superintendent

**Mountain View-Gotebo PUBLIC SCHOOL DISTRICT  
Kiowa COUNTY  
AUDIT FINDINGS  
CORRECTIVE ACTION PLAN  
AUDIT YEAR 2012-2013**

**AUDIT FINDING REFERENCE NUMBER:** 2013-4

**DESCRIPTION OF FINDING:** The school drew down \$13,490 of Title VI, Subpart 1, Small Rural School(Project 588) funds, but they have not expended any funds for this program.

**CONTACT PERSON:** Sam Belcher and Stormy Fischer

**STEPS IMPLEMENTED:** The District will code expenditures of at least \$13,490 to federal project 588 for FY 2013-2014 in order to support the funds which have already been drawn down. School employees are now fully aware of the three (3) day requirement to expend federal funds.

**COMPLETION DATE:** 5/22/14

**AUDIT FINDING REFERENCE NUMBER:** 2013-5

**DESCRIPTION OF FINDING:** A bill to Pioneer Telephone Company was paid out of 2013-14 appropriations but were for items ordered before June 30, 2013. Since items were obligated before June 30, they should have been paid with 2012-13 appropriations.

**CONTACT PERSON:** Stormy Fischer and Sam Belcher

**STEPS IMPLEMENTED:** The District will ensure that expenditures will be reserved and paid out of the fiscal year appropriations in which they were obligated.

**COMPLETION DATE:** Immediately

**AUDIT FINDING REFERENCE NUMBER:** 2013-6

**DESCRIPTION OF FINDING:** During the testing of purchases, it was noted that 15 of 35 purchase requisitions were not endorsed by the purchasing officer authorizing the purchase of goods/services.

**CONTACT PERSON:** Sam Belcher

**STEPS IMPLEMENTED:** The District will take steps to inform employees on how to properly complete purchase requisitions and not produce a purchase order without proper authorization.

**COMPLETION DATE:** Immediately



Superintendent



**Mountain View-Gotebo PUBLIC SCHOOL DISTRICT  
Kiowa COUNTY  
AUDIT FINDINGS  
CORRECTIVE ACTION PLAN  
AUDIT YEAR 2012-2013**

**AUDIT FINDING REFERENCE NUMBER:** 2013-7

**DESCRIPTION OF FINDING:** A purchase order was approved for \$2,500. The invoice for the purchase was \$3,316.50. The invoice was paid without the Superintendent approving the increase which exceeded 10% and \$500.

**CONTACT PERSON:** Sam Belcher and Treva Dirickson

**STEPS IMPLEMENTED:** The District will ensure that employees will be trained to become familiar with school purchasing policies. Also, should the purchase exceed the policy limits of 10% but not greater than \$500, the purchase will go back before the board for approval.

**COMPLETION DATE:** Immediately

**AUDIT FINDING REFERENCE NUMBER:** 2013-8

**DESCRIPTION OF FINDING:** During Activity Fund fundraiser testing, we noted that deposits for the collections from the class of 2013 fireworks stand were not made timely. Money is collected daily from the time the stand opens in June through July 4. One large deposit was made July 12, 2012 for all sales. A log for daily sales was not provided.

**CONTACT PERSON:** Sam Belcher and Treva Dirickson

**STEPS IMPLEMENTED:** The District will train sponsors that daily sales will be documented and that money will be turned into a school official and deposited daily if greater than \$100.

**COMPLETION DATE:** Immediately

**AUDIT FINDING REFERENCE NUMBER:** 2013-9

**DESCRIPTION OF FINDING:** During activity fund expenditure testing, we noted that the BPA sub account purchased a vending machine for the school. This was not an approved expenditure listed and approved for the nature of this account and it was not presented to the board for specific approval. The machine cost \$4,598.

**CONTACT PERSON:** Sam Belcher and Treva Dirickson

**STEPS IMPLEMENTED:** The District will ensure that any purchases that are not considered normal in nature or an approved general expense of the sub account be submitted to the board for approval prior to being purchased.

**COMPLETION DATE:** Immediately

  
Superintendent

**Mountain View-Gotebo PUBLIC SCHOOL DISTRICT  
Kiowa COUNTY  
AUDIT FINDINGS  
CORRECTIVE ACTION PLAN  
AUDIT YEAR 2012-2013**

**AUDIT FINDING REFERENCE NUMBER:** 2013-10

**DESCRIPTION OF FINDING:** During FFA sausage sale testing, we noted that a few students were not turning in money for their sales. We also noted this last year and they appear to be the same students. The amount uncollected for 2013 is \$1,194.

**CONTACT PERSON:** Sam Belcher and Treva Dirickson

**STEPS IMPLEMENTED:** The District will inform the sponsor to not allow students that owe previous amounts to participate in further activities until all amounts due for products are received. Furthermore, future products for all students will not be ordered until money is turned in and receipted.

**COMPLETION DATE:** Immediately

**AUDIT FINDING REFERENCE NUMBER:** 2013-11

**DESCRIPTION OF FINDING:** During activity fund fundraiser testing, we noted that receipts were not issued to students and/or purchasers (whoever the sponsor received the money from for collections for the rib-sales). A sales log could not be provided for review either.

**CONTACT PERSON:** Sam Belcher and Treva Dirickson

**STEPS IMPLEMENTED:** The District will train all sponsors on the receipt process and provide each sponsor with a receipt book for them to provide a receipt for each individual that turns in money.

**COMPLETION DATE:** Immediately



Superintendent